

FINAL TRANSCRIPT

Thomson StreetEvents

GRA - W.R. Grace & Co. Conference Call

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Apr. 07. 2008 / 1:00PM, GRA - W.R. Grace & Co. Conference Call

CORPORATE PARTICIPANTS

Bridget Sarikas

W.R. Grace & Co. - Director IR

Alfred Festa

W.R. Grace & Co. - President, CEO

Mark Shelnitz

W.R. Grace & Co. - VP, General Counsel

Bob Tarola

W.R. Grace & Co. - SVP, CFO

CONFERENCE CALL PARTICIPANTS

Andrew Chan

Lehman Brothers - Analyst

Charles Rose

Ardsley Partners - Analyst

Steven Ivan

Front Point - Analyst

Peter Shawn

Tocqueville Asset Management - Analyst

Marti Murray

Murray Capital - Analyst

Craig Peckham

Jefferies & Co - Analyst

Ross Gilardi

Merrill Lynch - Analyst

Barnes Hauptfuhrer

Chapter IV Investors - Analyst

Vladimir Jelisavcic

Longacre - Analyst

Dan Chanderman

Brent Core - Analyst

David Sachs

Hocky Capital - Analyst

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Operator

THOMSON

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Good day, ladies and gentlemen. Welcome to the WR Grace & Company conference call. At this time, all participants are in listen only mode. We will be facilitating a question and answer session towards the end of today's conference. (OPERATOR INSTRUCTIONS).

I would now like to turn the presentation over to your host for today's conference, Ms. Bridget Sarikas, Director of Investor Relations. Please proceed.

Bridget Sarikas - W.R. Grace & Co. - Director IR

Thank you, Grace Ann. Good afternoon, everyone, and welcome to WR Grace & Co's conference call to discuss Grace's settlement of asbestos personal injury claims.

Joining me today is Fred Festa, Grace's Chairman, CEO, and President, who will highlight the settlement. Mark Sheinitz, Grace's General Counsel, will review the legal details and Robert Tarola, Grace's Senior Vice President, will discuss the financial aspects. Before we begin, I would like to caution the remarks today contain forward-looking statement. Factors that could cause results to differ from the expectations are listed in our Annual Report on form 10-K. At this time, I'll turn the call over to Fred Festa.

Alfred Festa - W.R. Grace & Co. - President, CEO

Good, thank you, Bridget and good afternoon to all. As you know, we've issued a press release this morning announcing the agreement in principle to settle our asbestos personal injury claims. We've also filed an 8-K with the SEC that includes the term sheet that the parties have signed. I'd like to make a few comments about the agreement in principle and let Mark describe it in some detail. He will also describe what it will take to turn it into a plan of reorganization that receives the court's approval and how long that may take, and then Bob will describe the financial part of the agreement and we'll take questions but before I jump into it let me just step back for a second. Grace filed for protection under Chapter 11 of the bankruptcy code a little over seven years ago. Our goal was to use the federal bankruptcy process to determine once and for all time what our asbestos liability was and fund a trust in that amount consistent with the bankruptcy law so that all asbestos claims will be channelled to that trust and Grace could move forward, unincumbered by this liability.

The agreement in principle described in our press release today is a huge step in that direction. Now we have to take this agreement and turn it into a plan of reorganization. I believe the agreement is fair. It puts in place the structure that we've always wanted, and a way to pay for that structure. It has received the endorsement of the official committee of equity holders, the official committee of asbestos personal injury claimants, and the future claimants representative. Our challenge is to keep making progress every day toward exiting bankruptcy by working closely with all of our stakeholders and the court. All of us at the Company are looking forward to the day when we'll be able to operate without the constraints of Chapter 11 weighing us down. We are tremendously excited about the future.

Our annual report and 10-K have been published and are available at our website. They clearly show the wonderful job our people have done to grow and strengthen the businesses during our stay in Chapter 11 and I'm very proud of what has been accomplished during that time. Let me turn it over to Mark and then Bob, and then we would be more than happy to take your questions about the agreement.

Mark Sheinitz - W.R. Grace & Co. - VP, General Counsel

Thanks, Fred. Good afternoon, everyone and particularly I'd like to welcome all those who have personally expressed their support for the Company over the last several years. I'm going to walk through the terms and conditions of the term sheet that we ventured into with the equity personal injury creditors committee and the future claimants representative, and add a couple of comments.

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Going down the list, we're prepared to contribute to the trust \$250 million in cash. We've also agreed to pay interest on that cash to the extent we haven't emerged by the end of the year. Grace will also issue a warrant to purchase 10 million shares of Common Stock with an exercise price of \$17 a share. The warrant will have a one year term from the date of emergence and if it's exercised it will bring in \$170 million in cash to Grace. We have agreed to assign insurance or insurance proceeds to the trust. And included in that will be any proceeds we receive between now and the date of emergence, which will also include an interest component. And I should say the third parties will in sealed air Fresenius will provide the value from the settlement agreements to be available for the trust, and then we've also agreed down the road to make a series of deferred payments.

Beginning after 10 years, we're going to commit to make five annual payments of \$110 million a year, and after those first five years, we're going to commit to making 10 annual payments of \$100 million a year. Those obligations will be of Grace's principal operating subsidiary, WR Grace & Co-Con and be guaranteed by the publicly traded parent. It's also subordinated to all other debt which we think will help facilitate our ability to obtain the exit financing we'll need up front. The guarantee is secured by an obligation to issue 50.1% of the publicly traded parent's common stock in the event that we fail to make one of the deferred payments, and that's a critical component for achieving the channeling injunction required by Section 524-G of the code, which requires the Company to put 50.1% of its equity at risk.

For those that aren't bankruptcy fluent, and I won't profess to be an expert myself, Section 524-G is a section of the bankruptcy code that provides for a channeling of all asbestos related claims to a trust for disposition, and this will include claims that could arise in the future which is what makes Section 524-G unique. Section 524-G plan of reorganization will allow Grace to emerge from bankruptcy protected from future asbestos personal injury claims. The term sheet also contemplates that we'll pay all of the creditors the allowed amount of their claims and from our employees perspective, will allow us to continue to fund our benefit and retirement programs. The agreement also provides for cooperation resolving opened issues. We think the main focus will be resolving the remaining traditional property damage claims, and that it will include claims related to our former attic installation product which we call ZAI. This morning the judge put off the estimation trial, so we hope she will now have more time to focus on those issues and help us resolve them.

I'll turn it over to Bob now to take you through some of the financial aspects of the agreement.

Bob Tarola - W.R. Grace & Co. - SVP, CFO

Thanks, Mark and good afternoon, everyone. The only thing I would like to add to Fred and Mark's comments is that the direct cost of this agreement to Grace, that is, the cost excluding the value of assets from others being insurance and the assets from sealed air fresenius falls within our previously established reserves. There will be no net charge to Grace from this agreement. The value of the non-cash components of this agreement being the warrant and the deferred payments will be determined based on relevant economic and market factors at the time such instruments are issued. We expect the post-emergence capital structure to include bank debt and bonds at a level sufficient to fund the cash requirements of this agreement, the cash requirements of all other allowed claims in our bankruptcy proceeding, and the operating requirements of our businesses. We are exploring amounts of debt financing of up to \$1.5 billion, trying to stay under four times trailing EBITDA.

In addition, the capital structure would include the fair value of the deferred payments and if the warrant is exercised, up to 10 million new shares of Grace common stock. This agreement was structured to maximize Grace's borrowing capacity in this tight credit market, with the deferred payments being subordinated to all other debt and the prospects for additional cash upon the exercise of the warrant. We will begin working on securing exit financing for a targeted emergence around year-end. We intend to place a large measure of the new debt in our non-U.S. subsidiaries to enhance its overall tax efficiency.

Thank you, and I will turn the presentation back to Mark for a discussion of our plans over the next several months.


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Mark Shelnitz - W.R. Grace & Co. - VP, General Counsel

Thanks, Bob. I'm going to give everybody a little bit of a sense of what's going to happen over the next several months. The next step is now to work on a joint plan of reorganization, and all the related documents that need to be filed with the court before we could actually proceed to confirmation. Those include a disclosure statement, a trust agreement, trust distribution procedures, financial analyses, it's a lot of work and a very thick stack of paper before all is said and done. We hope that that plan and its related documents will be ready to be filed with the court some time around the end of the second quarter. The plan is going to summarize the treatment of the claims of all classes of creditors and the disclosure statement will summarize the plan, its economics, it will describe the Company, its assets and liabilities and how the liabilities will be treated under the plan. Not all that dissimilar from an S-1.

After we file all the documents there will be a hearing on the disclosure statement where interested parties will have an opportunity to object, and once the disclosure statement is approved the plan will go into the voting and confirmation process. If everything goes smoothly, we should be able to be in a position to exit before year-end but if there are objections that our exit is likely pushed back to 2009, I'll turn it back to you, Fred.

Alfred Festa - W.R. Grace & Co. - President, CEO

Again, I'd just like to thank everyone for all the hard work and diligence that has been part of this process. Now we're going to open it up for questions.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS). Your first question comes from the line of Andrew Chan of Lehman Brothers.

Andrew Chan - Lehman Brothers - Analyst

Good morning, guys. I have two questions. One, what is the insurance amount that is sort of part of this settlement? I know in the past the number was around \$500 million and my second question is in terms of the bank debt, the \$500 million pre-petitioned bank debt how will that get paid off?

Alfred Festa - W.R. Grace & Co. - President, CEO

Go ahead, Bob.

Bob Tarola - W.R. Grace & Co. - SVP, CFO

Andrew, this is Bob Tarola. I'll try to answer your questions. In terms of the insurance assets, Grace has an insurance coverage of approximately \$917 million from solvent insurance carriers and about \$250 million from carriers that are in some form of reorganization. All of that insurance will be made available to the personal injury trust. The collection of that insurance will depend on the nature of the claims that are paid by the trust and the timing of those claims. So the value of the insurance, or the realized value of the insurance will be solely in the hands of the personal injury trust. As to the bank debt, the original bank debt or the pre-petitioned bank debt that aggregated \$500 million, would be paid at emergence with accrued interest as stated in the term sheet.

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Andrew Chan - Lehman Brothers - Analyst

And that's going to be all in cash?

Bob Tarola - W.R. Grace & Co. - SVP, CFO

Yes.

Andrew Chan - Lehman Brothers - Analyst

Great. Thanks.

Operator

Your next question comes from the line of Charles Rose with Ardsley Partners.

Charles Rose - Ardsley Partners - Analyst

Good afternoon, gentlemen.

Alfred Festa - W.R. Grace & Co. - President, CEO

Hello, Charlie, how are you?

Charles Rose - Ardsley Partners - Analyst

Congratulations. I'm great. I'm sure you guys are too. The question I have for you is basically on EBITDA. I know it's early and if you can't address it, I'll wait until the disclosure statement and the plans come out publicly. Do you have any thoughts of first of all what you weren't doing during bankruptcy that you think you could do while, when out of bankruptcy and what the implications are to a certain EBITDA levels you think are achievable in '09 or '10 that [technical issues] the Corporation?

Alfred Festa - W.R. Grace & Co. - President, CEO

Yeah, Charlie, this is Fred. Let me try to address that. As you know, while we've been in Chapter 11 we've worked very hard to try to maximize the total value, and all of our creditors committees have worked with us and as you know, we've been able to do some small acquisitions, roughly 20 of those all in cash, and we've been able to improve our operations as well through various measures and programs. It is too early to assess what that '09 and '10 EBITDA level will be. Looking back through the Chapter 11 period, we have been able to grow it anywhere between 8 to 12%. I'm hoping that with some of the constraints removed it will be higher, but we won't know until we get into the process.

Charles Rose - Ardsley Partners - Analyst

Is there some low hanging fruit, Fred, which is easier to, or is it some corporate expenses or legal expenses or corporate overheads that become less burdensome?

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Alfred Festa - W.R. Grace & Co. - President, CEO

Well, as you know, we've been over the last few years splitting out our core earnings versus our non-core.

Charles Rose - Ardsley Partners - Analyst

Right.

Alfred Festa - W.R. Grace & Co. - President, CEO

We anticipate those non-core expenses to stop some time after we emerge from Chapter 11 related to a lot of legal fees and so on. However, I would caution you as you know we still have our Libby criminal proceedings going to forward and at this point in time we don't anticipate that trial starting until '09 based on where the appeals are right now. So again I think you could get a good basis by looking at our core and our non-core split.

Charles Rose - Ardsley Partners - Analyst

Okay, appreciate that and congratulations, Fred.

Alfred Festa - W.R. Grace & Co. - President, CEO

Thanks, Charlie.

Operator

Your next question comes from the line of Steven Ivan of Front Point.

Steven Ivan - Front Point - Analyst

Hi. Are any of the payments that are in the future, the \$110 million per year, are they contingent on anything or is this part of the settlement?

Alfred Festa - W.R. Grace & Co. - President, CEO

Yes, Mark?

Mark Shelnitz - W.R. Grace & Co. - VP, General Counsel

They aren't contingent at all. They're fixed payments that we will expect to have to make.

Steven Ivan - Front Point - Analyst

Okay, thank you.



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Operator

Your next question comes from the line of Peter Shawn of Tocqueville Asset Management.

Peter Shawn - Tocqueville Asset Management - Analyst

Hi, everybody, congratulations. Can you walk me through what the tax implications are, what benefits might be accruing to the Company from the contributions to the 524-G trust?

Bob Tarola - W.R. Grace & Co. - SVP, CFO

Yes. It's Bob Tarola. The contributions to the trust would be tax deductible and would be valued under tax law based on the nature of the instrument, so the valuation of that tax deduction will also be determined at the time such instruments are finally issued.

Peter Shawn - Tocqueville Asset Management - Analyst

But it excludes the amount the Fresenius and Sealed Air payments don't count towards the total; is that right?

Bob Tarola - W.R. Grace & Co. - SVP, CFO

Well they come in as taxable income and go out as a deduction so it's more or less a wash.

Peter Shawn - Tocqueville Asset Management - Analyst

Okay.

Operator

Your next question comes from the line of Marti Murray of Murray Capital.

Marti Murray - Murray Capital - Analyst

Hi, it's Marti Murray at Murray Capital. Congratulations. I had a follow-up question relating to your unsecured creditors. I noticed the one constituency that was not on the list of those that agreed to the agreement was your unsecured creditors committee. Is that because there's a dispute there?

Alfred Festa - W.R. Grace & Co. - President, CEO

This is Fred. As you know, our unsecured creditors have been supportive of our plan as well as co-proponents of our plan since the last three years I think, or over three years, just based on the urgency of getting these documents done, they've really not had a complete chance to look at all of the documents and make a recommendation to all of their members. We anticipate, we more than anticipate working with them, educating them during this week and hopefully they will continue to support us as they have done for the last three plus years as we have worked very closely together as one group.



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Marti Murray - Murray Capital - Analyst

Okay and then can you just remind me for the treatment on the bank debt, on your term sheet you have the post-petition interest rate at 6.09 through 12-31-05 and thereafter floating prime. Where do those rates come from? What is the 6.09?

Alfred Festa - W.R. Grace & Co. - President, CEO

Well let me turn it over to Bob Tarola to give you specifics but this was part of an agreement that we reached with them over two years or three years ago, but Bob, why cooperate you give them the specifics.

Bob Tarola - W.R. Grace & Co. - SVP, CFO

Yeah, the rates that are stated in the term sheet are the rates that have been applied to that obligation since we filed our original plan of reorganization in 2004. They were rates that were reached with the leadership of that committee at the time, and we have been accounting for since that point in time.

Marti Murray - Murray Capital - Analyst

So they were previously negotiated rates?

Bob Tarola - W.R. Grace & Co. - SVP, CFO

Yes, they were.

Marti Murray - Murray Capital - Analyst

Do you expect those are going to remain in effect for your plan?

Bob Tarola - W.R. Grace & Co. - SVP, CFO

Well as Fred said, we still have to have discussions with the leaders of that committee because they haven't had the opportunity to fully digest this term sheet.

Marti Murray - Murray Capital - Analyst

Okay, thank you very much.

Operator

Your next question comes from the line of Craig Peckham of Jefferies & Company.

Craig Peckham - Jefferies & Co - Analyst

Good afternoon and congratulations. I wondered if you could tell us a little bit more about how the \$17 exercise pricing the warrants was derived?

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Mark Shelnitz - W.R. Grace & Co. - VP, General Counsel

I guess I'll take that question. That's Mark. It was really the subject of negotiation. I think we felt that the asbestos committee of the FCR wanted to have some stake in the Company. A stake in the Company that might be realized with some kind of incremental value relating to the certainty of an exit, so we thought a short-term warrant might be the best solution for that, and issuing it at a discount basically insured we think kind of gives it a great chance at realizing value from it and it also gives Grace a great chance to bring in cash, so it was really part of the negotiations.

Craig Peckham - Jefferies & Co - Analyst

Thank you.

Operator

(OPERATOR INSTRUCTIONS). Your next question comes from the line of Ross Gilardi of Merrill Lynch.

Ross Gilardi - Merrill Lynch - Analyst

Good afternoon, thank you. Could you guys just quantify the amount of timing of Sealed Air's disbursement of the trust as part of your current plan?

Alfred Festa - W.R. Grace & Co. - President, CEO

Mark, go ahead.

Mark Shelnitz - W.R. Grace & Co. - VP, General Counsel

Well the timing would be that the effective date of the plan of that emergence, the Sealed Air payment and Fresenius payments would be made. Their value would be determined in the case of Sealed Air based on continued accrual of interest on the cash component of the settlement and what their stock price would be on the effective date so that value will fluctuate during the period prior to the effective date, and on the effective date, the value could be determined, obviously it will be shared and the trust could then choose to do what it wishes with.

Ross Gilardi - Merrill Lynch - Analyst

But the but the funds wouldn't physically be disbursed to the plan until you actually finalize everything and emerge?

Mark Shelnitz - W.R. Grace & Co. - VP, General Counsel

That's correct.

Ross Gilardi - Merrill Lynch - Analyst

Okay, thank you.



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Operator

Your next question comes from the line of Barnes Hauptfuhrer of Chapter IV Investors.

Barnes Hauptfuhrer - Chapter IV Investors - Analyst

Yes, good morning. Congratulations. I just wanted to clarify a little bit on the pro forma balance sheet. You mentioned that you'd be exploring financing up to \$1.5 billion. Can you give me a feel for if the plan closed at 12/31, what you think your net debt would be at 12/31/08, your debt net of cash, and kind of exclude the \$170 million of warrant cash that you might get a year later and then also if you could just comment then on the percentage of stock that the existing shareholders retain on a fully diluted basis?

Bob Tarola - W.R. Grace & Co. - SVP, CFO

This is Bob Tarola, Barnes. I think in terms of the net debt coming out at emergence, it will all depend on how much we ultimately borrow and how much of the remaining contingencies would have to be settled in cash at emergence so I can't give you an exact figure on that amount, but we will be working on getting more exact on that question as we publish future financial statements with pro forma balance sheets reflecting this arrangement. The second question I'm sorry?

Barnes Hauptfuhrer - Chapter IV Investors - Analyst

It was on the stock. Dilution.

Bob Tarola - W.R. Grace & Co. - SVP, CFO

If all the shares are issued, there would be approximately 82 million shares outstanding. The 10 million to the personal injury trust would represent about 12% of the total outstanding shares.

Barnes Hauptfuhrer - Chapter IV Investors - Analyst

Okay. And again, just to clarify then, when you go to publish your disclosure statement, I assume that would probably have some sort of pro forma in it then, showing net debt?

Bob Tarola - W.R. Grace & Co. - SVP, CFO

Yeah, that's correct and by that time, we hope that the other contingencies may crystallize to the point that we would know how much would have to be paid out of emergence.

Barnes Hauptfuhrer - Chapter IV Investors - Analyst

Right, but net-net at this time, you're hiking that you wouldn't have more gross debt of more than a \$1.5 billion.

Bob Tarola - W.R. Grace & Co. - SVP, CFO

That's what we're thinking, yes.

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Barnes Hauptfuhrer - Chapter IV Investors - Analyst

Yeah, okay. Thank you.

Operator

Your next question comes from the line of Vladimir Jellsavcic of Longacre.

Vladimir Jellsavcic - Longacre - Analyst

Hi, congratulations, guys. Great work, in a very long difficult process. Just a question regarding unsecured creditors that are not bank loan creditors, just trade creditors. Are they getting interest at some plan interest rate and is it compounded at all?

Bob Tarola - W.R. Grace & Co. - SVP, CFO

It's described in the term sheet. We propose to give trade in similar class creditors a 4.19% as equal to the federal funds rate as their interest rate.

Vladimir Jellsavcic - Longacre - Analyst

Right, right. Does that compound?

Bob Tarola - W.R. Grace & Co. - SVP, CFO

Yes.

Vladimir Jellsavcic - Longacre - Analyst

And what about trade creditors that might have, contractual rights some will they get their contractual rate of interest?

Bob Tarola - W.R. Grace & Co. - SVP, CFO

Correct.

Vladimir Jellsavcic - Longacre - Analyst

Okay, thank you.

Bob Tarola - W.R. Grace & Co. - SVP, CFO

You're welcome.

Operator

Your next question comes from the line of [Dan Chanderman of Brent Core].

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Dan Chanderman - Brent Core - Analyst

Hi, guys. How are you? Congratulations.

Alfred Festa - W.R. Grace & Co. - President, CEO

Hi, Dan.

Dan Chanderman - Brent Core - Analyst

A question on the property damage that you said is still outstanding. How much of the traditional property damage is left and what's the timetable for that?

Bob Tarola - W.R. Grace & Co. - SVP, CFO

I'll take that question. I believe there's 176 traditional property damage claims outstanding. Virtually all those claims are controlled by Dan Spites and his cohort counsel in California, Tom Brandy. We have a number of summary judgment motions that the judge has yet to issue opinions on that could substantially reduce that number, but as far as we understand if the judge is that far along in it, although I think they aren't moving up on her priority list. The next step in trying to resolve the Spites claims is the mediation scheduled now for April 24 and 25, and we hope to make some progress there. If not we will continue down the same litigation path that we've embarked upon with the Spites claims for the last two or three years. You remember he had filed originally about 3,000 of the 4,000 traditional property damage claims we received.

Dan Chanderman - Brent Core - Analyst

Right.

Bob Tarola - W.R. Grace & Co. - SVP, CFO

On the Zona Light as you know we had a very favorable decision in the science trial and we're going to work to see what might remain, if any, by way of legal theory or legal risk relating to ZAI, and we hope to negotiate a resolution of those claims. If we failed to negotiate a resolution then we have a couple of different alternatives to get the issue before the court to be resolved once and for all, one of which we're going to try to key up at a special hearing on April 22 where we may go seek a bar date and notice program which will seek to define the number, the universe of claimants out there that might want to make a claim relating to the ZAI in their attics, and once we have that universe of claimants we can have the judge then apply whatever legal principles she would want to use, an estimation of what those claims might be worth.

Dan Chanderman - Brent Core - Analyst

Do you have any insurance on anything related to property damage?

Bob Tarola - W.R. Grace & Co. - SVP, CFO

No.



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Dan Chanderman - Brent Core - Analyst

Okay. Thanks very much. Congratulations again.

Bob Tarola - W.R. Grace & Co. - SVP, CFO

You're welcome.

Operator

Your next question comes from the line of David Sachs of Hocky Capital.

David Sachs - Hocky Capital - Analyst

Hi. The corporate expense number, would that number be in decline in 2009 based on the removal of the overhang for the litigation? Is there any impact favorable or negative to the segments from the litigation overhang?

Alfred Festa - W.R. Grace & Co. - President, CEO

Go ahead, Bob.

Bob Tarola - W.R. Grace & Co. - SVP, CFO

David? As Fred mentioned earlier, we have diligently tried to measure the results of the ongoing business and we call it "core operations" and most of our corporate expense related to core operations is ongoing and is not likely to decline dramatically once we emerge. The expenses that are lodged in non-core and certainly those expenses related directly to Chapter 11 are expected to diminish to almost a small amount as we work our way through.

David Sachs - Hocky Capital - Analyst

Okay, so the run rate of around 100 a year is a reasonable level for ongoing corporate?

Bob Tarola - W.R. Grace & Co. - SVP, CFO

It's the level that we currently are incurring and we work on it all the time to try to make it more official.

David Sachs - Hocky Capital - Analyst

And this is last question. In terms of the outstanding debt at year-end '07, about \$810 million of debt and about 660 million of cash. Is that the right way to look at the core business before today's announced settlement?

Bob Tarola - W.R. Grace & Co. - SVP, CFO

No. It's not the right way to look at it. The \$810 million is the pre-petitioned debt plus seven years of accrued interest. The level of cash also has been accumulated over the bankruptcy period when all of our obligations were stayed, so it wouldn't be correct to look at the balance sheet that way.



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David Sachs - Hocky Capital - Analyst

What would be a more correct summary net cash earned and debt number as of 1-31?

Bob Tarola - W.R. Grace & Co. - SVP, CFO

Well again that will depend on how we resolve remaining issues after this agreement and we'll be dealing with it as part of our plan of reorganization pro forma.

David Sachs - Hocky Capital - Analyst

Okay, thanks.

Operator

Your next question is a follow-up question from the line of Andrew Chan of Lehman Brothers.

Andrew Chan - Lehman Brothers - Analyst

Good afternoon. Just a quick follow up. Just wanted to know the size of the administrative claims pool, the Class 1? We haven't gotten an updated number there in awhile.

Alfred Festa - W.R. Grace & Co. - President, CEO

Bob, do you have that?

Bob Tarola - W.R. Grace & Co. - SVP, CFO

I do. It's actually in our Form 10-K Andrew.

Andrew Chan - Lehman Brothers - Analyst

Okay.

Bob Tarola - W.R. Grace & Co. - SVP, CFO

And as of year-end, '07, the total amount of what would be characterized as administrative expense claims was \$69 million. We would expect about \$20 million of that to be settled at emergence and the remaining \$49 million to be passed through, as ongoing obligations.

Andrew Chan - Lehman Brothers - Analyst

So it's essentially just \$20 million that's going to be paid out of emergence?



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Bob Tarola - W.R. Grace & Co. - SVP, CFO

That's correct. And there's also some priority tax claims which aggregate about \$7 million at emergence so neither category is very material.

Andrew Chan - Lehman Brothers - Analyst

It looks like the pension is going to be reinstated.

Alfred Festa - W.R. Grace & Co. - President, CEO

Well yes, but the pension was never uninstated. Post-retirement fees.

Andrew Chan - Lehman Brothers - Analyst

Got you. Thank you.

Operator

Your next question comes from the line of Patrick Duff of Gilder, Gagnon, Howe.

Patrick Duff - Gilder, Gagnon, Howe - Analyst

Yes, hi. Good afternoon. Congratulations. I'm just curious, now that your embarking on returning to the world of living, do you anticipate maybe starting conference calls again with the equity community and maybe I don't know, Charlie earlier asked you about '09 and '010. Can you just give us some color on how the year is going for you so far with a lot of the economic turbulence?

Alfred Festa - W.R. Grace & Co. - President, CEO

Yeah, this is Fred. I didn't know I was in the world of the dead - But didn't feel that way but you are right. We will be returning. We do not plan on really offering any guidance until we get through these issues in our disclosure statement is filed. It wouldn't be fair to you to speculate. It wouldn't be fair to us because until these issues get behind us, but we will be out there and we are very very happy with the businesses we have and the industries we participate in, and as you know, we do give color on our operations when we issue our results and the first quarter results will come out in approximately two weeks. So I'd encourage you to keep posted on that.

Patrick Duff - Gilder, Gagnon, Howe - Analyst

Thank you.

Operator

Your next question comes from the line of [Dante Klein with CDIT Capital]



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Dante Klein - CDIT Capital - Analyst

Hi, congratulations. Will you be revising your valuation analysis that's in your disclosure statement to come?

Bob Tarola - W.R. Grace & Co. - SVP, CFO

Yes.

Dante Klein - CDIT Capital - Analyst

And also, for 2007, is there any way you could disclose the EBITDA associated with the Chevron JV? I know you disclosed the operating income or the income before taxes in the 10-K but just to have the D & A component to that?

Bob Tarola - W.R. Grace & Co. - SVP, CFO

Only to say, I would only say that there's very little depreciation and amortization in the JV itself because most of those costs are absorbed by Grace and passed on at a billing factor, so the results of the JV are pretty much fully exclude D & A.

Operator

Thank you. Your next question is a follow-up from the line of Dan Chanderman of Brent Core.

Dan Chanderman - Brent Core - Analyst

Hi, guys. Bob, earlier when you said you would be looking for exit financing of as much as \$1.5 billion, can you mean to imply that that would be like the most drawn and undrawn or would that all be drawn conceptually?

Bob Tarola - W.R. Grace & Co. - SVP, CFO

That would be the amount of funding that we would be looking for, Dan, and we would also look for revolving credit facility on top of that.

Dan Chanderman - Brent Core - Analyst

Okay. Thanks very much.

Operator

Your next question comes from the line of [Bilal Sikander of Serengeti].

Bilal Sikander - Serengeti - Analyst

Hi, guys, congratulations.

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Bob Tarola - W.R. Grace & Co. - SVP, CFO

Thank you.

Bilal Sikander - Serengeti - Analyst

Yeah, just a quick question on your NOLs. Can you just give me a little bit of detail some I guess your NOLs will include coming out of bankruptcy will include the \$250 million cash payment you're making today, plus some kind of valuation of the warrants. Is that it or is there anything else I'm missing because I guess the insurance and the -- Is coming, they're pretty much a wash; is that right?

Bob Tarola - W.R. Grace & Co. - SVP, CFO

That's correct but there would also be a deduction for the value of the deferred payment. It will be a deduction for tax purposes when the payment is made, it will come on our books as a deferred tax asset.

Bilal Sikander - Serengeti - Analyst

So the deferred payment, the payments will be made in 2019 but will you be emerging with an NOL which you'll get tax benefits from before the payment is made if you could explain that a little bit?

Bob Tarola - W.R. Grace & Co. - SVP, CFO

We will still have NOLs at emergence but related to those, to other elements of this agreement, but in addition to that, we will also be getting deductions for other aspects of this bankruptcy related to environmental settlements and accrued interest on bank debt and other obligations. So the large measure of the new deductions, if you will, really come from other than the asbestos

Bilal Sikander - Serengeti - Analyst

Going back to the environmental settlements I know you guys made a \$250 million settlement recently. What should be coming on top of that? Is there anything on top of that or how should I think about that?

Bob Tarola - W.R. Grace & Co. - SVP, CFO

We have three or four environmental settlements pending before the court and one is the large \$250 million settlement for remediation around Libby, Montana and there's also a multi-site agreement with EPA that settles environmental claims with respect to 35 some odd sites around the country that's about \$44 million. We have another environmental settlement related to our Curtis Bay facility where the Atomic Energy Commission authorized us to manufacture radioactive substances where there's a waste stream there that will also factor into the result in a tax deduction and a much smaller agreement to dispose of about 10 properties where we sell the property and the buyer takes on the liability but that should not have an impact on NOL, so really the first three, the \$250 million settlement, the \$44 million settlement and I don't have off the top of my head the value attributable to the Curtis Bay settlement.

Bilal Sikander - Serengeti - Analyst

Thank you.

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Operator

And you have no questions at this time.

Alfred Festa - W.R. Grace & Co. - President, CEO

All right well, this is Fred. Let me just wrap it up and again, let me start by thanking publicly our team that has worked so hard and all of our employees that have worked so hard over these seven years to continue to grow this enterprise, despite some of the headwinds we have faced through the chapter 11 process, but we are looking forward so when we can emerge as the non-encumbered company. We also do recognize that over the next nine months or so, there's going to be a lot of work to get these issues behind us, and wrap them up, but again, we are truly excited and we do, we welcome your support as many of you on this call have supported us in one way or the other through this process. So again, thank you, and stay tuned.

Operator

Thank you for your participation in today's conference. This concludes the presentation and you may now disconnect.

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